

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

Individually and on
behalf of all others similarly situated,

Plaintiff,

v.

LI AUTO INC., XIANG LI, TIE LI, and
DONGHUI MA,

Defendants.

Case No:

**CLASS ACTION COMPLAINT FOR
VIOLATIONS OF THE FEDERAL
SECURITIES LAWS**

JURY TRIAL DEMANDED

Plaintiff (“Plaintiff”), individually and on behalf of all other persons similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against Defendants (defined below), alleges the following based upon personal knowledge as to Plaintiff and Plaintiff’s own acts, and information and belief as to all other matters, based upon, among other things, the investigation conducted by and through Plaintiff’s attorneys, which included, among other things, a review of the Defendants’ public documents, public filings, wire and press releases published by and regarding Li Auto Inc. (“Li Auto” or the “Company”), and information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a class action on behalf of persons or entities who purchased or otherwise acquired publicly traded Li Auto securities, including purchasers of options and/or sales of options between February 26, 2024 and May 20, 2024, inclusive (the “Class Period”). Plaintiff seeks to recover compensable damages caused by Defendant’s violations of the federal securities laws under the Securities Exchange Act of 1934 (the “Exchange Act”).

2. Li Auto operates in the energy vehicle market in the People’s Republic of China (“China”) and designs, develops, manufactures, and sells smart electric vehicles. The Company’s product line includes multi-purpose vehicles (“MPVs”) and sport utility vehicles (“SUVs”).

3. In early 2024, Li Auto made a series of announcements touting the purportedly high demand for its electric vehicles and representing that the Company was “consistently improving operating efficiency throughout the year.” In late February 2024, Li Auto announced that it expected to deliver between 100,000 and 103,000 vehicles in the first quarter of 2024, “representing an increase of 90.2% to 95.9% from the first quarter of 2023.” Shortly thereafter, on March 1, 2024, Li Auto launched its first battery electric vehicle (“BEV”) model, the Li MEGA. According to the Company, the Li MEGA “provides big families with a blend of energy replenishment experience as efficient as traditional [internal combustion engine (“ICE”)] vehicle refueling, next-generation design and exceptionally low drag coefficient, roomy and comfortable space, flagship-level performance and safety features, and superior intelligent experience.”

4. Throughout the Class Period, Defendants made materially false and misleading statements regarding the Company’s business, operations, and prospects. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (i) Li Auto had overstated the demand for its vehicles and the efficacy of its operating strategy in launching the Li MEGA;

(ii) accordingly, the Company was unlikely to meet its Q1 2024 vehicle deliveries estimate; (iii) the foregoing, once revealed, was likely to have a material negative impact on the Company's financial condition; and (iv) as a result, the Company's public statements were materially false and misleading at all relevant times.

5. On March 21, 2024, Li Auto issued a press release disclosing that, “[d]ue to lower-than-expected order intake, the Company now expects its vehicle deliveries for the first quarter of 2024 to be between 76,000 and 78,000 vehicles, revised from the previous vehicle delivery outlook of between 100,000 and 103,000 vehicles.” In addition, the Company stated that the Li MEGA had an operating strategy that was “mis-paced,” noting that operations were planned as if the model had already entered the “scaling phase” of sales—that is, the phase focusing mainly on customer acquisition, team building, and operational growth—while it was still in the early “validation” period, during which the Company would focus on creating a product market fit by idea validation and product refinement. Further, the Company stated that it will revert to the validation phase of sales by shifting its focus toward its core user group, target sales to cities with stronger purchasing power, and then will look to expand to a broader user base.

6. On this news, Li Auto's American Depositary Share (“ADS”) price fell \$2.55 per ADS, or 7.48%, to close at \$31.53 per ADS on March 21, 2024.

7. Then, on May 20, 2024, before the market opened, Li Auto issued a press release in which it announced that its profit for the first quarter of 2024 had declined by 46%, as compared to the fourth quarter of 2023.

8. On this news, the price of Li Auto's ADS price fell \$3.18 per ADS, or 12.77%, to close at \$21.71 per ADS on May 20, 2024.

9. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

JURISDICTION AND VENUE

10. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

11. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331, and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

12. Venue is proper in this judicial district pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)) as the alleged misstatements entered and the subsequent damages took place in this judicial district. Pursuant to Li Auto's most recent filed annual report on Form 20-F, as of December 31, 2023, there were 1,738,408,250 of the Company's Class A ordinary shares and 355,812,080 of the Company's Class B ordinary shares outstanding. Li Auto's securities trade on the NASDAQ Global Select Market ("NASDAQ"). Accordingly, there are presumably hundreds, if not thousands of investors in Li Auto's securities located within the U.S., some of whom undoubtedly reside in this Judicial District.

13. In connection with the acts, conduct and other wrongs alleged in this complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mails, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

14. Plaintiff, as set forth in the accompanying certification, incorporated by reference herein, purchased Li Auto securities during the Class Period and was economically damaged thereby.

15. Defendant Li Auto is incorporated in the Cayman Islands. Its principal executive offices are located at 11 Wenliang Street, Shunyi District, Beijing 101399, China. The Company's ADSs trade in an efficient market on the NASDAQ under the ticker symbol "LI".

16. Defendant Xiang Li ("X. Li") has served as the Company's Chief Executive Officer ("CEO") at all relevant times.

17. Defendant Tie Li ("T. Li") has served as the Company's Chief Financial Officer ("CFO") at all relevant times.

18. Defendant Donghui Ma ("Ma") has served as Li Auto's President and Executive Director at all relevant times.

19. Defendants X. Li, T. Li, and Ma are collectively referred to herein as the "Individual Defendants."

20. Each of the Individual Defendants:

- (a) directly participated in the management of the Company;
- (b) was directly involved in the day-to-day operations of the Company at the highest levels;
- (c) was privy to confidential proprietary information concerning the Company and its business and operations;

- (d) was directly or indirectly involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein;
- (e) was directly or indirectly involved in the oversight or implementation of the Company's internal controls;
- (f) was aware of or recklessly disregarded the fact that the false and misleading statements were being issued concerning the Company; and/or
- (g) approved or ratified these statements in violation of the federal securities laws.

21. Li Auto is liable for the acts of the Individual Defendants and its employees under the doctrine of *respondeat superior* and common law principles of agency because all of the wrongful acts complained of herein were carried out within the scope of their employment.

22. The scienter of the Individual Defendants and other employees and agents of the Company is similarly imputed to the Company under *respondeat superior* and agency principles.

23. Li Auto and the Individual Defendants are collectively referred to herein as "Defendants."

SUBSTANTIVE ALLEGATIONS

Background

24. Li Auto operates in the energy vehicle market in China and designs, develops, manufactures, and sells smart electric vehicles. The Company's product line comprises MPVs and SUVs.

Materially False and Misleading Statements Issued During the Class Period

25. The Class Period begins on February 26, 2024, when Li Auto issued a press release

during pre-market hours announcing its unaudited fourth quarter and full year 2023 financial results. The press release stated, in relevant part:

[Defendant X. Li] [. . .] commented, “Undeterred by the fiercely competitive NEV market in 2023, Li Auto achieved an outstanding performance with its three Li L series models. Full-year deliveries grew by 182.2%, reaching 373,030 vehicles, making us the best-selling brand among NEVs priced above RMB300,000 in China. In December, we released the OTA version 5.0 for Li L series. With comprehensive enhancement in autonomous driving and smart space, we bring even more exceptional experience to family users. ***With our significantly increasing scale, continued research and development advancement, and consistently improving operating efficiency throughout the year, 2023 marks our best financial performance yet, setting a solid foundation for Li Auto’s growth to diversify its product matrix and cater to a broader range of user needs in 2024.***”

Business Outlook

For the first quarter of 2024, the Company expects:

- **Deliveries of vehicles** to be between ***100,000 and 103,000 vehicles, representing an increase of 90.2% to 95.9% from the first quarter of 2023.***¹

26. That same day, Li Auto hosted an earnings call with investors and analysts to discuss the Company’s Q4 2023 results (the “Q4 2023 Earnings Call”). During the scripted portion of the Q4 2023 Earnings Call, Defendant X. Li stated, in relevant part:

In 2024, the virtuous cycle of our business growth will solidify our long-term profitability, cash generation – generating capabilities and capital base. This trajectory will further deepen our R&D efforts across products, platforms and systems, ensuring consistent delivery of exceptional products and services to our users in the long run. ***2024 will be an unprecedented year of new product launches for Li Auto, beginning in March with the launch of our high-tech flagship and family MVP, Li MEGA, developed on a pure BEV platform, Li MEGA integrates the latest technological advancements in 5C BEV technologies, smart space and autonomous driving.***

We also plan to begin mass delivery of 2024 model year Li L7, L8 and L9 models starting in March. You’re all welcome to tune into our Li Auto 2024 Spring product launch event, this Friday, March 1, where we’ll be unveiling more exciting vehicles about Li MEGA and our 2024 model year L Series.

¹ All emphases included herein are added unless otherwise indicated.

On the production front, Li Auto's Beijing Green Intelligent Manufacturing base went into production towards the end of 2023, ready for volume production of Li MEGA and subsequent BEV models. ***With volume production delivery of Li MEGA and 2024 model year, L7, L8 and L9, we expect our total vehicle deliveries for Q1 2024 to range between 100,000 units to 103,000 units with March delivery exceeding 50,000 units. In 2024, we'll continue to learn from the best enterprises, iterate ourselves and surpass expectations as we create mobile homes and create happiness.***

27. Further, during the Q&A portion of the Q4 2023 Earnings Call, a market analyst asked "because Li Auto first quarter volume guidance of 100,000 to 103,000 units implies a very significant ramp in March to 50,000 units or more" and "considering several new models are coming to the market at about the same time, including MEGA L6, with a whole L series," "[w]ould there be any risk of supply bottleneck into March and April [and] [w]hat has the company done so far to ensure this new production ramp deliveries[?]" In response, Defendant Ma stated, in relevant part:

First of all, we have a lot of great experience in the new product launches and ramp up to achieve volume shortly after product launch. In the first calendar month after the launch of L7 and L9, respectively, we have been able to successfully produce and deliver over 10,000 units for each model. And we have collected all these best practices and lessons learned in and put them into our system. ***So whether it's new factories or new employees, they're all able to very easily replicate the success in the past.***

In terms of new models, on the R&D front, all the new vehicle lines are being developed on schedule. And in terms of production, we have already completed the construction of our factories ahead of time. And recruited and trained the relevant product - - blue collar workers.

On the supply front, we have already built the supply capabilities and completed the risk analysis and have created plans and strategies based on the risks identified. ***And on the planning front, using our new integrated planning system we have connected supply and demand end-to-end and have lock down all of the necessary requirements from end-to-end. 2024 will be a big year for our -in terms of new product launches and we're very confident to maintain the consistency and timeliness of our supply.***

28. In addition, when asked during the Q&A portion of the Q4 2023 Earnings Call to discuss the Company's plans for various electric vehicles, Defendant X. Li stated, in relevant part:

For the first half of the year, we will be releasing in our March 1st spring event, Li MEGA as well as 2024 model year Li L7, L8, and L9 and also in first half, we'll be releasing the L6. In the second half of the year, as we've communicated before, we will be releasing yet another three pure electric SUV models, all standard common standard with 5C charging and all-wheel drive. And I would like to emphasize those cars are very, very competitive. And they will become the top choice for family users in their respective price segments.

2024 will be an unprecedented product year for Li Auto. By the end of the year, we will have four range extended models and four very competitive elect BEV models. [Our] products are all very competitive, and they will together serve the needs of our family users.

29. On February 29, 2024, Li Auto issued a press release providing a delivery update for February 2024, stating, in relevant part:

[T]he Company delivered 20,251 vehicles in February 2024, up 21.8% year over year. The cumulative deliveries of Li Auto vehicles reached 684,780 as of the end of February 2024.

“Even with the impact of Chinese New Year and some trims of Li L series models sold out as we prepare for switching to new models, our average daily delivery in February (excluding the eight-day Chinese New Year holiday period) still increased significantly compared with that of February 2023. We are scheduled to officially launch the long-expected Li MEGA and 2024 Li L series models at our spring launch event this afternoon. Li MEGA is a revolutionary model meticulously crafted to meet the needs of multi-generational households, boasting remarkable product strengths, and effectively addressing the long-standing challenges of range anxiety of BEVs. Additionally, our 2024 Li L7, Li L8, and Li L9 models will come equipped with enhanced functions and features to better serve our family users. With the release and deliveries of these new models, we target to have our monthly deliveries rebound to 50,000 vehicles in March,” commented [Defendant X. Li].

30. On March 1, 2024, Li Auto issued a press release announcing its 2024 Spring Launch Event. The press release stated, in relevant part:

Li Auto [. . .] today hosted its 2024 Spring Launch Event and officially launched Li MEGA, its high-tech flagship family MPV. As the Company's first high-voltage battery electric vehicle, Li MEGA provides big families with a blend of energy replenishment experience as efficient as traditional ICE vehicle refueling, next-generation design and exceptionally low drag coefficient, roomy and comfortable space, flagship-level performance and safety features, and superior intelligent experience.

Li MEGA aims to assure big families of a superior energy replenishment experience, enabling them to travel without range anxiety. Li MEGA is built on an 800-volt battery electric platform and is equipped with the joint-developed Li Auto-CATL Qilin 5C battery,

which has a total capacity of 102.7 kilowatt-hours and can support a CLTC range of 710 kilometers. With Li Auto 5C super charging stalls, Li MEGA can achieve a driving range of 500 kilometers with a 12-minute charge. Furthermore, the Company has been building its super charging network at scale, with plans to invest an aggregate of at least RMB6 billion in the future and to establish over 5,000 self-operated 5C charging stations. Franchised urban charging stations also will be widely deployed in 2024.

31. The statements contained in ¶¶ 25-30 were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts pertaining to the Company’s business, operations, and prospects, which were known to Defendants or recklessly disregarded by them. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1) Li Auto had overstated the demand for its vehicles and the efficacy of its operating strategy in launching the Li MEGA; (2) accordingly, the Company was unlikely to meet its Q1 2024 vehicle deliveries estimate; (3) the foregoing, once revealed, was likely to have a material negative impact on the Company’s financial condition; and (4) as a result, Defendants’ statements about its business, operations, and prospects were materially false and misleading and/or lacked a reasonable basis at all times.

THE TRUTH BEGINS TO EMERGE

32. On March 21, 2024, Li Auto issued a press release entitled “Li Auto Inc. Updates First Quarter Delivery Outlook.” The press release stated, in relevant part:

Li Auto [. . .] today provided an updated delivery outlook for the first quarter of 2024. Due to lower-than-expected order intake, *the Company now expects its vehicle deliveries for the first quarter of 2024 to be between 76,000 and 78,000 vehicles*, revised from the previous vehicle delivery outlook of between 100,000 and 103,000 vehicles.

“I want to reflect on a couple of the key issues that we faced in March and provide some insights and solutions.

*“First, we want to acknowledge that the operating strategy of Li MEGA was mis-paced. We planned operations of Li MEGA as if the model had already entered the 1-to-10 scaling phase, while in fact, we were still in the nascent 0-to-1 business validation period.”*² Similar

² During the “validation” period, a Company typically focuses on creating a product market fit by idea validation and product refinement, whereas during the “scaling phase”, a Company typically focuses mainly on customer acquisition, team building, and operational efficiency for sustainable growth.

to Li ONE and our EREV technologies, *Li MEGA and our BEV technologies will also need to undergo this 0-to-1 validation process. Next, we will first focus on our core user group and target cities with stronger purchasing power, recalibrating the Li MEGA strategy back to the 0-to1 phase. After that, we will expand our reach to a broader user base and more cities.*

“Second, we put excessive emphasis on sales volume and competition, distracting us from what we excel at – creating value for our users and driving operating efficiency. We will lower our delivery expectations and restore sustainable growth by refocusing on enhancing user value instead of competition, while maintaining operating efficiency,” commented [Defendant X. Li].

33. On this news, Li Auto’s ADS price fell \$2.55 per ADS, or 7.48%, to close at \$31.53 per ADS on March 21, 2024.

34. Then, on May 20, 2024, before the market opened, Li Auto issued a press release in which it announced its unaudited financial results for the quarter ended March 31, 2024. In this press release, Li Auto announced that its gross profit was “RMB5.3 billion (US\$731.9 million) in the first quarter of 2024, representing an increase of 38.0% from RMB3.8 billion in the first quarter of 2023 *and a decrease of 46.0% from RMB9.8 billion in the fourth quarter of 2023.*”

35. On this news, the price of Li Auto’s ADS price fell \$3.18 per ADS, or 12.77%, to close at \$21.71 per ADS on May 20, 2024.

36. As a result of Defendants’ wrongful acts and omissions, and the precipitous decline in the market value of the Company’s common shares, Plaintiff and the other Class members have suffered significant losses and damages.

PLAINTIFF’S CLASS ACTION ALLEGATIONS

37. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons other than defendants who acquired Li Auto securities publicly traded on the NASDAQ during the Class Period, and who were damaged thereby (the “Class”). Excluded from the Class are Defendants, the officers

and directors of the Company, members of the Individual Defendants' immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

38. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, the Company's securities were actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds, if not thousands of members in the proposed Class.

39. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

40. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

41. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- whether the Exchange Act was violated by Defendants' acts as alleged herein;
- whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business and financial condition of the Company;

- whether Defendants' public statements to the investing public during the Class Period omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
- whether the Defendants caused the Company to issue false and misleading filings during the Class Period;
- whether Defendants acted knowingly or recklessly in issuing false filings;
- whether the prices of the Company's securities during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

42. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

43. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- the Company's securities met the requirements for listing, and were listed and actively traded on the NASDAQ, an efficient market;
- as a public issuer, the Company filed public reports;
- the Company communicated with public investors via established market communication mechanisms, including through the regular dissemination of press

releases via major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services;

- the Company's securities were liquid and traded with moderate to heavy volume during the Class Period; and
- the Company was followed by a number of securities analysts employed by major brokerage firms who wrote reports that were widely distributed and publicly available.

44. Based on the foregoing, the market for the Company securities promptly digested current information regarding the Company from all publicly available sources and reflected such information in the prices of the common units, and Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

45. Alternatively, Plaintiff and the members of the Class are entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406 U.S. 128 (1972), as Defendants omitted material information in their Class Period statements in violation of a duty to disclose such information as detailed above.

COUNT I
For Violations of Section 10(b) And Rule 10b-5 Promulgated Thereunder
Against All Defendants

46. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

47. This Count asserted against Defendants is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

48. During the Class Period, Defendants, individually and in concert, directly or indirectly, disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

49. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

- employed devices, schemes and artifices to defraud;
- made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of the Company's securities during the Class Period.

50. Defendants acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated, or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the securities laws. These defendants by virtue of their receipt of information reflecting the true facts of the Company, their control over, and/or receipt and/or modification of the Company's allegedly materially misleading statements, and/or their associations with the Company which made them privy to confidential proprietary information concerning the Company, participated in the fraudulent scheme alleged herein.

51. Individual Defendants, who are or were senior executives and/or directors of the Company, had actual knowledge of the material omissions and/or the falsity of the material statements set forth above, and intended to deceive Plaintiff and the other members of the Class, or, in the alternative, acted with reckless disregard for the truth when they failed to ascertain and disclose the true facts in the statements made by them or other Company's personnel to members of the investing public, including Plaintiff and the Class.

52. As a result of the foregoing, the market price of the Company's securities was artificially inflated during the Class Period. In ignorance of the falsity of Defendants' statements, Plaintiff and the other members of the Class relied on the statements described above and/or the integrity of the market price of the Company's securities during the Class Period in purchasing the Company's securities at prices that were artificially inflated as a result of Defendants' false and misleading statements.

53. Had Plaintiff and the other members of the Class been aware that the market price of the Company's securities had been artificially and falsely inflated by Defendants' misleading statements and by the material adverse information which Defendants did not disclose, they would not have purchased the Company's securities at the artificially inflated prices that they did, or at all.

54. As a result of the wrongful conduct alleged herein, Plaintiff and other members of the Class have suffered damages in an amount to be established at trial.

55. By reason of the foregoing, Defendants have violated Section 10(b) of the 1934 Act and Rule 10b-5 promulgated thereunder and are liable to the plaintiff and the other members of the Class for substantial damages which they suffered in connection with their purchase of the Company's securities during the Class Period.

COUNT II
Violations of Section 20(a) of the Exchange Act
Against the Individual Defendants

56. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

57. During the Class Period, the Individual Defendants participated in the operation and management of the Company, and conducted and participated, directly and indirectly, in the conduct of the Company's business affairs. Because of their senior positions, they knew the adverse non-public information regarding the Company's business practices.

58. As officers of a public business, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to the Company's financial condition and results of operations, and to correct promptly any public statements issued by the Company which had become materially false or misleading.

59. Because of their positions of control and authority as senior executives and/or directors, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which the Company disseminated in the marketplace during the Class Period concerning the Company's results of operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause the Company to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were "controlling persons" of the Company within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Company securities.

60. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by the Company.

PRAYER FOR RELIEF

WHEREFORE, plaintiff, on behalf of himself and the Class, prays for judgment and relief as follows:

(a) declaring this action to be a proper class action, designating plaintiff as Lead Plaintiff and certifying plaintiff as a class representative under Rule 23 of the Federal Rules of Civil Procedure and designating plaintiff's counsel as Lead Counsel;

(b) awarding damages in favor of plaintiff and the other Class members against all defendants, jointly and severally, together with interest thereon;

(c) awarding plaintiff and the Class reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) awarding plaintiff and other members of the Class such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.